



# Memorandum

**TO:** NEIGHBORHOOD SERVICES  
AND EDUCATION COMMITTEE

**FROM:** Albert Balagso

**SUBJECT:** SEE BELOW

**DATE:** September 22, 2008

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Approved

Date

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COUNCIL DISTRICT: City Wide

**SUBJECT:** HEALTHY NEIGHBORHOODS VENTURE FUND MIGRATION TO  
RESULTS BASED ACCOUNTABILITY MODEL

## RECOMMENDATION

Accept this report on the Healthy Neighborhoods Venture Fund migration to the Results-Based Accountability model and related governing documents, and recommend for approval to the City Council.

The following governing documents apply:

- 1) Healthy Neighborhoods Strategic Work Plan
- 2) HNVF Allocation Plan
- 3) HNVF Rules of Order
- 4) HNVF Policies
  - a. Established Priorities Policy
  - b. Minimum and Maximum Funding Request Policy
  - c. Fund Balance Policy

## OUTCOME

Approval of the report and governing documents will institute the Results Based Accountability Model as the system for directing, allocating, and managing the HNVF grant program.

## BACKGROUND

The Healthy Neighborhood Venture Fund (HNVF) program was established by the City Council in 2000 and is funded by the Tobacco Master Settlement Agreement, which is an agreement between certain cities (including San Jose), 46 States and the major tobacco companies regarding the marketing and consumption of tobacco products. Through this agreement, the City of San

Jose will receive millions of dollars in general revenue from the tobacco companies for unrestricted purposes.

Per Council action in June 2000, tobacco settlement receipts are deposited as revenue in the Anti-Tobacco Master Settlement Agreement Revenue Fund and allocated through an annual process. Historically, \$9-\$11 million has been received annually. The funds have been allocated to youth, senior, and tobacco cessation programs through both non-competitive ("Established Priorities") and competitive processes. For 2008-2009, Established Priorities funding (for the Children's Health Initiative, Homework Centers, and HNVF Administration) totaled \$5.5 million. Competitive funding, spread among 75 contracts with community-based organizations, totaled \$4.0 million. It should be noted that there are two City-operated programs, Parks, Recreation and Neighborhood Services's Senior Nutrition (\$663,000) and San Jose Public Library's Books for Little Hands (\$128,000), are included in the competitive funding.

Since the inception, the funds have been allocated through the HNVF Advisory Committee using a proposal-based funding method (i.e., funds were distributed based on the quality of an application). Applications that were complete and contained required responses received high ratings and were awarded funds. Conversely, applications that lacked details and/or were incomplete, even if they proposed needed services for vulnerable populations, were rejected.

In June 2006, the City Council directed the City Manager's Office (CMO) to explore alternative strategies for funding services that enable community-based organizations to address needs at appropriate levels.

In February 2007, after a series of informational and stakeholder meetings, the HNVF Advisory Committee approved staff's recommendation to use the Results-Based Accountability (RBA) funding methodology for the HNVF program. RBA is the same allocation and evaluation methodology used by San Jose BEST. It is driven by a strategic workplan that will be vetted and approved by the City Council, an allocation plan that prioritizes the allocation of funds in alignment with the strategic plan, and a performance logic model to evaluate funded programs.

## ANALYSIS

HNVF's migration to the RBA model is designed to ensure that HNVF-funded programs remain aligned with City priorities.

RBA is a collaborative and quantitative technology for assessing and prioritizing needs, allocating funds and monitoring/evaluating programs and service providers. This technology will be driven by two Council-approved documents: a Strategic Workplan and an Allocation Plan. Using these documents, HNVF will be able to conduct a competitive process for service providers which can best address the Council's HNVF priorities.

These issues of alignment and competitiveness were the key concerns about the HNVF program identified by Management Partners, Inc., in its work for the Mayor's Budget Shortfall Advisory Group.

In addition to the Strategic Workplan and the Allocation Plan, HNVF's RBA infrastructure requires Rules of Order and certain policies. The Rules of Order establish the policy and technical teams to oversee the HNVF program and administer RBA. The policies establish guidelines for the fair and transparent allocation of the tobacco settlement revenues. All of these elements of the infrastructure are discussed in detail below.

### Process

The HNVF Advisory Committee employed Community Crime Prevention Associates (CCPA) to develop and propose the Strategic Workplan and Allocation Plan, and it appointed the Ad Hoc Subcommittee to develop and propose the Rules of Order and policies. Collectively, 22 community and stakeholder meetings were held to shape the recommendations presented in this memorandum.

The HNVF Advisory Committee approved the recommended the Strategic Workplan in January 2008, the Allocation Plan in April 2008, and the Rules of Order and policies in September 2008.

### Healthy Neighborhoods Strategic Workplan (Attachment A):

The Strategic Workplan is the broader vision that defines the mission, values and strategic goals of HNVF program, and it serves as the foundation for applying the RBA methodology.

Currently, the HNVF program does not have a Strategic Workplan. The Municipal Code states only that tobacco revenues must be expended on: 1) existing or new anti-tobacco programs, 2) new or expanded education programs, and 3) new or expanded senior programs. The new Strategic Workplan more specifically states HNVF's role in creating and maintaining healthy neighborhoods.

Highlights of the Strategic Workplan include the following:

Mission Statement: To mobilize the assets, strengths, resources, and innate resiliency of its residents to ensure healthy neighborhoods for all.

Vision Statement: All San Jose residents enjoy a higher quality of life because of their improved socialization, health, physical fitness, and strong connection to their community and neighbors.

The mission and vision are intentionally broad and long-term, and they are aligned with the relevant elements of other Council-approved or Council-recognized strategic plans:

- San Jose/Santa Clara County Older Americans Strategic Plan
- San Jose Youth Master Plan
- San Jose GreenPrint Plan
- San Jose Mayor's Gang Prevention Task Force Strategic Workplan
- First 5 of Santa Clara County Strategic Workplan
- Healthy Silicon Valley Community Action Plan

Most of the current HNVF grantees are already aligned with this proposed Strategic Workplan to a great extent. PRNS' HNVF staff is working with all agencies to ensure that they understand the evaluation criteria and how future proposals can align with the Strategic Workplan.

HNVF Allocation Plan (Attachment B):

Within the framework of the Strategic Workplan, the Allocation Plan identifies the areas most appropriate for HNVF funding and delineates the eligible services and target populations that best support and advance the Strategic Workplan. While the Strategic Workplan articulates HNVF's "what", the Allocation Plan articulates the "how". The Allocation Plan identifies the target population and delineates prevention services that will create change or improve the conditions of well-being for the target population.

Highlights of the Allocation Plan include the following:

- Promotes healthy lifestyles geared towards tobacco prevention, health and fitness and developmental assets framework
- Focuses on a range of early care and prevention activities for youth whose target population are children and youth ages 0-19
- Focuses on a range of prevention and early intervention for seniors ages 60 and over

A Request for Qualification (RFQ) will be released this Fall 2008 in preparation for the 2009-10 funding year. It will outline and align to the Allocation Plan for prospective grantees. Applicants will need to demonstrate their experience and success in providing the eligible services.

HNVF Rules of Order (Attachment C):

The Rules of Order for HNVF, as with other governing bodies, establish the codes by which the Advisory Committee will conduct its business. Examples of the content include duties, attendance, terms of the members, number of members, appointment process, removal process, qualifications of members and meeting requirements.

This Leadership Committee, which will supplant the current body, will be responsible for: 1) setting policy direction; 2) facilitating interagency collaboration; 3) evaluating emerging trends; 4) assisting in advancing the goals of HNVF SWP; and 5) making recommendations for disbursement of HNVF grants. The recommended Rules of Order also include the structure and function of the Advisory Committee.

Highlights of the HNVF Rules of Order include the following:

- Proposes to change the name of the HNVF Advisory Committee to the "Healthy Neighborhoods Leadership Committee". This committee would continue to be the policy-level body for the HNVF program.

- Adds one or more “technical” teams called the Healthy Neighborhood Action Team(s). As with San Jose BEST, these teams would facilitate the implementation of the Leadership Committee’s direction and workplan.
- While the total number of Committee members would remain at seven, the new Rules of Order would reduce from three to two the number of Councilmembers (and increase from four to five the number of community members). This proposal would increase the diversity of the community members while still valuing the initial meeting input from the two remaining Councilmembers. This proposal also recognizes that critical policy issues will continue to come before the City Council for their deliberation and approval.

**HNVF Key Policies (Attachment D):**

These policies establish guidelines for the fair and transparent allocation of HNVF’s tobacco settlement revenues.

*Established Priorities Policy:* The purpose of the Established Priorities Policy is to allow HNVF funding for certain City Council-determined priorities without a competitive process. Although this policy is new, the practice is not. As noted earlier, HNVF has allocated “off the top” funding to certain projects since HNVF’s inception in 2000.

The recommended policy specifically identifies the three programs (only) below as Established Priorities. They are recommended based on the significance of the programs and the funding amounts, the number of residents impacted by the programs and the continuous funding each has received from HNVF since inception. Two of the three programs (San Jose After-School and City Senior Programs) also fund positions filled by City employees.

The policy benchmarks the program’s 2008-09 scopes of services as the established priorities, requiring a policy decision to expand the scopes of services within the definition of “established priorities”. This is an important provision that lends a degree of predictability to funding the established priorities and to the amount of funding available for the competitive process.

By policy, the list of established priorities will be re-examined every three years.

1) Children’s Health Initiative – CHI has received “Established Priorities” funding (currently \$2.1 million) since the inception of the Master Settlement Agreement in 2000. Funding provides health insurance to approximately 2000 children whose families have income at or below 300% of the federal poverty level.

2) San Jose After-School Program – San Jose After-School also has received “Established Priorities” funding (currently \$2.4 million) since 2000. Funding provides general tutoring, homework assistance, recreation, literacy and math enriching programs to San Jose youth at various sites throughout the City. These sites provide the means and conditions to continually connect students to school and improve their academic achievement.

3) City Senior Programs (new) – Currently titled “Addressing the Gaps” in 2008-09, this project has historically received its allocations (\$663,000) through HNMF’s competitive process. Funding provides support to senior services, particularly those identified in the City’s Aging Services Master Plan, including coordination, nutrition, case management, in-home assistance, intergenerational programming, and health as well as multicultural services.

Minimum/Maximum Funding Amount Policy: This policy refers to the HNMF funding that is allocated to community-based organizations (CBOs) through the competitive process (versus the Established Priorities).

This policy is intended to: 1) ensure that a minimum amount of funding is allocated to host an effective program that is worth the investment of the City and the CBO’s administrative expenses, and 2) to ensure a maximum amount of funding so that HNMF funding continues to be distributed to the greatest variety of programs that align with the Strategic Workplan.

It is important to note the matching fund requirement (leveraged dollars) will continue to be applied. Historically, this requirement has leveraged three external dollars for every one HNMF dollar allocated in the competitive process.

Minimum: \$35,000

HNMF’s current minimum funding amount is \$25,000. Other grantors were surveyed, and various minimum amounts up to \$50,000 (United Way) were considered. Through multiple discussions with CBOs, the HNMF Advisory Committee determined that a \$35,000 minimum was workable for both small and large CBOs. Smaller CBOs are comfortable with the higher requirements for matching funds. Larger CBOs feel they can still offer effective programs for \$35,000, including new administrative expenses related to RBA.

Maximum: \$150,000

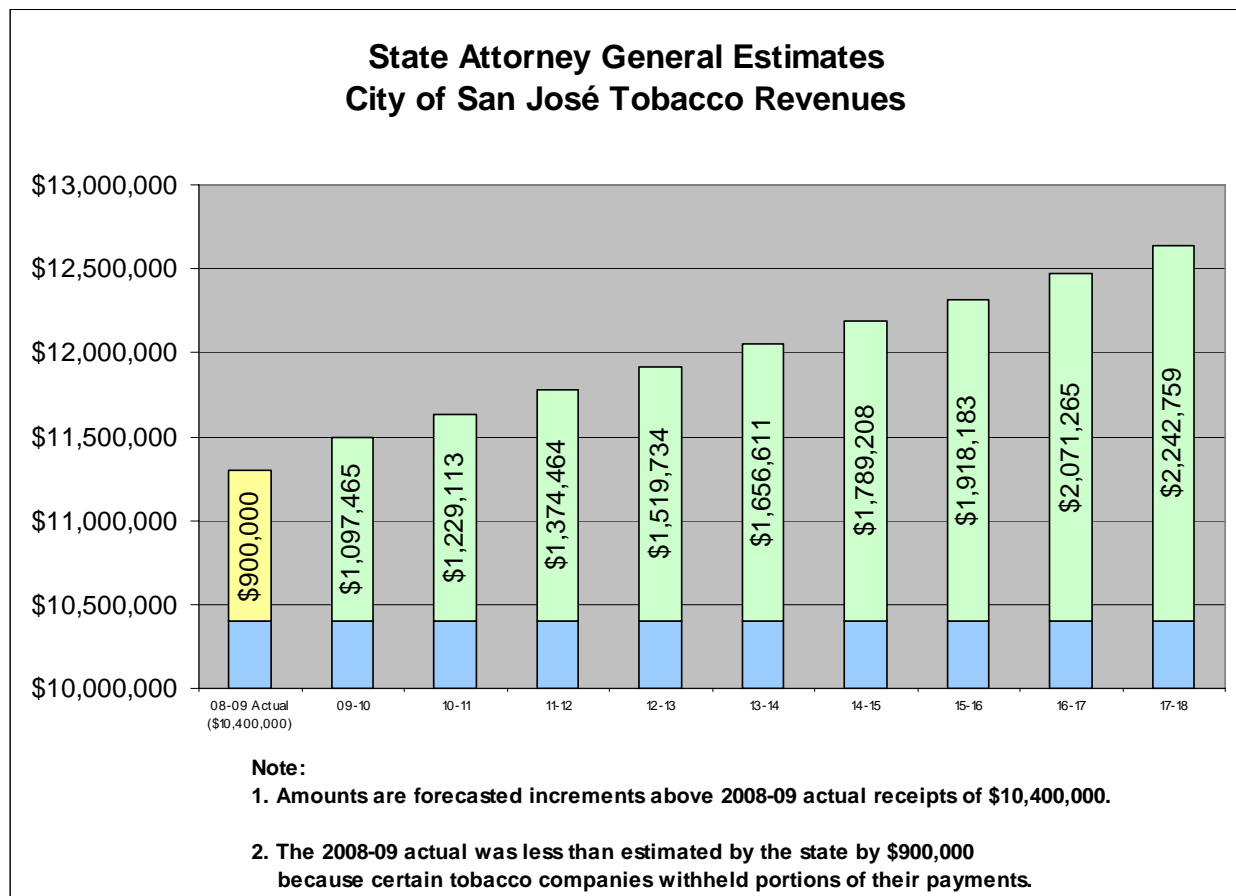
Currently, HNMF does not have a maximum funding amount, but the HNMF Advisory Committee feels a maximum would lend a degree of predictability to the amount of funding available for CBOs each year. A larger CBO will not be able to receive a large funding increase that would significantly decrease the funding available for the remaining CBOs. The proposed maximum of \$150,000 would not adversely impact any current CBO because the maximum currently funded is \$142,000.

Fund Balance Policy: The Fund Balance Policy is important to the HNMF Fund because of immediate cash flow needs. It is also important because of the State’s projection for long-term revenue growth and how the increased revenue may potentially contribute to the General Fund’s structural deficit solution.

The recommended fund balance policy states that HNMF’s fund will maintain an adequate balance to meet its own cash flow requirements and avoid the need for an annual inter-fund loan (\$1.5 million in 2008-09). HNMF’s unique cash flow requirements are caused by the timing of the tobacco revenues. That is, revenues are received in April, the 10<sup>th</sup> month, of each fiscal year.

Though the fund begins each fiscal year with over \$6 million in the fund balance, it is depleted by February or March, requiring a short-term \$1.5 million loan from the Sewer Connection Fee Fund until the State revenue is received. The proposed policy would eliminate the need for the loan, and also aligns with the City Auditor's recommendation to eliminate unnecessary inter-fund loans.

The other important aspect of the Fund Balance Policy is the potential for HNVF to contribute to the General Fund's structural deficit solution. Based on the State Attorney General's projections, the additional \$1.5 million needed for HNVF's fund balance will be realized by the end of the 2010-11 fiscal year. As illustrated in the graph below, the State estimates that tobacco revenues will continue to grow. The policy question of what to do with future revenues is significant and warrants discussion with additional stakeholders in the context of the City's General Fund budget. At this time, the HNVF Advisory Committee recommends that this issue be referred back to staff and resolved before the 2010-11 budget process.



## NEXT STEPS

Assuming the recommendations in this memorandum are approved by the Neighborhood Services & Education Committee and by the City Council, the Rules of Order would be effective on January 1, 2009, and use to form the new HNVF Leadership Committee and Action Teams.

The Strategic Workplan, Allocation Plan and key policies would be effective on July 1, 2009. In the meantime, a Request for Qualifications will be released in November 2008 in preparation for funding allocations that will be recommended effective July 2009.

Current grantees and City staff continue to engage in capacity-building trainings related to the new evaluation system technology. Trainings will continue and be offered during the year as the City and partners prepare to launch the RBA model in July 2009. Staff is cognizant of the degree of change that has and will occur and has initiated opportunities to work with stakeholders in an effort to minimize disruption. The gains made thus far and the achievements attained in the future will demonstrate the public value of the HNVF grant program.

### PUBLIC OUTREACH/INTEREST

This report satisfies criterion 3 below:



Criterion 3: Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

### COORDINATION

This memorandum has been coordinated with the Office of the City Attorney and City Manager.

### CEQA

Not a project.

ALBERT BALAGSO, Director  
Parks, Recreation & and Neighborhood Services

For questions please contact Jay Castellano, Deputy Director, at 408-535-3571.

Attachment A – Healthy Neighborhoods Strategic Work Plan  
Attachment B – HNVF Allocation Plan  
Attachment C – HNVF Rules of Order  
Attachment D – HNVF Key Policies